

## Message Text

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ORIGIN TRSE-00

INFO OCT-01 ARA-10 ISO-00 EB-08 AID-05 SS-15 SP-02  
IO-13 STR-07 COME-00 FRB-03 OMB-01 XMB-02 L-03  
H-01 CIAE-00 INR-10 NSAE-00 /081 R

DRAFTED BY TREAS:I/IDN:J.SWEENEY  
APPROVED BY ARA/ECP:SHROGERS  
TREAS:I/IDN:F.MARESCA  
TREAS:I/ID:A.NACHMANOFF  
TREAS:SE:PSBRIDGES  
ARA/ECA:SMYLES

-----070276 271517Z /64

R 271424Z APR 78  
FM SECSTATE WASHDC  
TO AMEMBASSY BRASILIA

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E.O. 11652: N/A

TAGS: EFIN, EAID, BR

SUBJECT: BILATERAL WITH BRAZIL AT THE IDB MEETING

1. AT BRAZILIAN REQUEST U.S. DELEGATION HEAD CARSWELL  
AND NACHMANOFF MET IN VANCOUVER ON APRIL 17 WITH FINANCE  
MINISTER MARIO SIMONSEN, CENTRAL BANK PRESIDENT PAULO  
LIRA, MR. ARY PINTO AND MR. FERNAO BRACHER. PURPOSE OF  
THE MEETING WAS TO DISCUSS IDB ISSUES AND THE  
COMPTROLLER OF THE CURRENCY RULING.

2. IDB ISSUES - FINANCE MINISTER POINTED OUT THAT THE IDB  
TARGET OF 7 PERCENT REAL ANNUAL INCREASE IN IDB LENDING  
WAS REASONABLE BUT HOW TO RECONCILE THIS WITH THE CURRENT  
REPLENISHMENT EXERCISE WAS ANOTHER MATTER. HE ALSO WAS  
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AWARE OF THE PROBLEMS WITH U.S. CONGRESS AND NOTED THE  
IMPORTANCE OF CLOSE CONSULTATIONS.

3. ON FSO FINANCE MINISTER OBSERVED THAT IT SHOULD BE  
FUNNELLED TOWARD INVENTIVE PROGRAMS (E.G. NUTRITIONAL  
PROGRAMS) AND THAT FUNDS SHOULD BE DIRECTED INTO POOREST  
COUNTRIES. FURTHERMORE BRAZIL HAS NOT USED FSO SINCE

1975 AND HAS EFFECTIVELY RESIGNED FROM USING THESE CREDITS. HOWEVER, BRAZIL DOES REQUIRE CONTINUED ACCESS TO FUNDS FROM ORDINARY CAPITAL WINDOWS OF THE BANKS.

4. IN RESPONSE TO U.S. SUGGESTION THAT IDB REPLENISHMENT BE IN CONVERTIBLE CURRENCIES SIMONSEN AGREED IN PRINCIPLE. BRACHER OBSERVED THAT IT DID NOT MAKE SENSE FOR A COUNTRY AT BRAZIL'S STAGE OF ECONOMIC DEVELOPMENT TO CONTRIBUTE SUBSTANTIAL AMOUNTS OF CONVERTIBLE CURRENCY TO THE FSO, BUT SIMONSEN AGREED TO STUDY THIS ISSUE.

5. U.S. DELEGATION SAID THAT IT HAD BEEN WORKING CLOSELY WITH CONGRESS ON REPLENISHMENT QUESTIONS AND WOULD CONTINUE TO DO SO. U.S. HOPED TO BE ABLE TO TAKE A POSITION ON THE IDB REPLENISHMENT LEVEL WITHIN THE TIME SCHEDULE SET BY THE GOVERNORS (I.E. BY END OF SEPTEMBER). GENERAL APPROACH IS GREATER EMPHASIS ON ORDINARY CAPITAL AND LESS ON FSO WITH INCREASED FOCUS ON POOREST COUNTRIES AND POOREST SECTORS IN OTHER COUNTRIES.

6. ON PROPOSED COMPTROLLER OF CURRENCY RULING REGARDING 10 PERCENT LIMIT ON BANK LENDING TO SINGLE BORROWERS, BRAZILIAN DELEGATION RAISED QUESTION OF WHAT CONSTITUTES RESOURCES (INCOME) FOR BORROWING ENTITIES AND SUGGESTED THAT THIS MAY BE DIFFICULT TO DEFINE IN SOME CASES. THEY ALSO POINTED OUT THAT IT IS NOT REASONABLE TO PUT SAME LIMITED OFFICIAL USE

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10 PERCENT LIMIT ON SOVEREIGN COUNTRIES AS ON PRIVATE COMPANIES. ADDITIONALLY RIGID APPLICATION OF RULING WOULD REQUIRE AN IMPOSSIBLE AMOUNT OF INVESTIGATION. FURTHERMORE, TIME REQUIRED TO PUT TOGETHER A LOAN WAS IMPORTANT FOR BRAZIL SINCE THE COUNTRY BORROWS ON A PROJECT BASIS, I.E., SMALL AMOUNTS AT A TIME, AND RULING COULD INCREASE TIME REQUIRED TO PULL A LOAN SYNDICATE TOGETHER.

7. CARSWELL PRESENTED A BRIEF HISTORY OF FACTORS LEADING TO THE RULING AND EXPLAINED THAT STATUTE IS CLEAR BUT IT HAS NOT BEEN APPLIED CONSISTENTLY AS AN INCREASING NUMBER OF U.S. REGIONAL BANKS GOT INTO INTERNATIONAL LENDING. EXAMINERS IN DIFFERENT AREAS HAVE APPLIED DIFFERENT RULES AND THE COMPTROLLERS OFFICE DECIDED THAT SOMETHING MUST BE DONE. HOWEVER, DECISION WAS NOT RELATED TO PARTICULAR COUNTRIES BUT RATHER REGIONAL BANK PRACTICES. CARSWELL RECOGNIZED POTENTIAL DIFFICULTY IN APPLYING REGULATIONS TO INDIVIDUAL COUNTRIES GIVEN WIDE SPECTRUM OF ECONOMIC SYSTEMS, AND NOTED COMPTROLLER WAS ASSESSING COMMENTS OF VARIOUS INTERESTED PARTIES AND WOULD TAKE THEM INTO ACCOUNT IN IMPLEMENTATION OF RULING. FURTHER-

MORE, RULING SHOULD NOT CAUSE SIGNIFICANT PROBLEMS FOR  
BRAZIL. USE OF LEAD BANK CAN FACILITATE SYNDICATIONS,  
EVEN AMONG A LARGER NUMBER OF BANKS.

8. BRAZILIAN DELEGATION REAFFIRMED ITS DESIRE THAT  
RESOURCE INFLOWS NOT BE HINDERED BY THE RULING SINCE  
THE ACCESS TO THE INTERNATIONAL PRIVATE CAPITAL MARKET  
WAS CRUCIAL FOR THE COUNTRY. HOWEVER, THEY FELT  
REASSURED BY CARSWELL'S COMMENTS. VANCE

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## Message Attributes

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**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FINANCE, MINISTERIAL MEETINGS, MEETING DELEGATIONS  
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**Copy:** SINGLE  
**Draft Date:** 27 apr 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
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**Disposition Approved on Date:**  
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**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Errors:** N/A  
**Expiration:**  
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**Message ID:** 3f02eeb5-c288-dd11-92da-001cc4696bcc  
**Office:** ORIGIN TRSE  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
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**Subject:** BILATERAL WITH BRAZIL AT THE IDB MEETING  
**TAGS:** EFIN, EAID, BR, US, IDB, (CARSWELL), (NACHMANOFF), (SIMONSEN, MARIO), (LIRA, PAULO), (PINTO, ARY), (BRACHER, FERNAO)  
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**Type:** TE  
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